

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
ACDA-12 EB-08 COME-00 TRSE-00 OMB-01 /087 W
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R 231011Z AUG 78
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 8032
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
USMISSION USBERLIN
USMISSION USNATO

C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 05493

E.O.11652: GDS
TAGS: PGOV, PEPR, GE,
SUBJECT: MORE ON THREATENED RETALIATION AGAINST
MISUSE OF WEST MARKS

REFS: (A) BERLIN 5203, (B) BONN 14604, (C) USBER 1909

1. THE EAST GERMAN GOVERNMENT HAS TAKEN NO OVERT ACTIONS, THAT WE ARE AWARE OF, TO EITHER CHANGE CURRENCY REGULATIONS OR IMPOSE RESTRICTIONS ON TRAVELERS ENTERING EAST BERLIN; BOTH ACTIONS WARNED OF IN THE ARTICLE "COMMENTARY FROM WEST BERLIN " (REF A) WHICH APPEARED IN ALL DAILIES AND IN ALL 14 SED BEZIRK PAPERS SIMULTANEOUSLY ON AUGUST 8. THERE HAS BEEN NO FURTHER TREATMENT OF THE ISSUE IN THE GDR PRESS.

2. THE IMPLICIT THREAT TO IMPOSE RESTRICTIONS ON USE OF WEST MARKS IN THE GDR DID RESULT IN SOME ANXIETY
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AMONG INTERSHOP CUSTOMERS. IN THE IMMEDIATE AFTERMATH OF THE PUBLICATION OF THE ARTICLE, INTERSHOPS WERE OVERWHELMED WITH CUSTOMERS. LINES AT THESE STORES WERE, FOR A WHILE, UNUSUALLY LONG AND CUSTOMERS SEEMED TO BE MAKING BULK PURCHASES. THIS WAS TRUE IN BOTH EAST BERLIN AND IN OTHER CITIES, ALTHOUGH NOT UNIFORMLY SO. INTERSHOPS IN WEIMAR,

FOR EXAMPLE WERE NOT PARTICULARLY BUSY OVER THE AUGUST 12-13 WEEKEND. THE INITIAL BUYING SPREE SEEMS TO HAVE SUBSIDED, ALTHOUGH WHETHER BECAUSE THE STOCKS OF D MARKS HAVE BEEN EXHAUSTED OR BECAUSE CUSTOMERS NO LONGER FEAR A CRACKDOWN IS NOT CLEAR.

3. EAST GERMANS SEEM NOT TO BE CERTAIN WHAT TO MAKE OF THE IMPLIED THREATS ON CURRENCY REGULATIONS. SOME, AT LEAST, DO NOT SEEM TO TAKE THE THREAT VERY SERIOUSLY. OTHERS HAVE TOLD US THAT THEY BELIEVE THE COMMENTARY WAS A POSSIBLE INDICATION THAT THE REGIME MAY CHANGE ITS POLICY ON INTERSHOPS. SEVERAL HAVE SPECULATED TO US THAT THE WARNING WAS A RUSE DESIGNED TO PROVOKE PEOPLE INTO SPENDING HARD CURRENCY THEY HAVE BEEN HORDING. CLEARLY A NUMBER OF PEOPLE DID NOT WANT TO TAKE ANY CHANCES ON LOSING THE OPPORTUNITY TO DISPOSE OF THEIR FOREIGN CURRENCY.

4. A POSSIBLE INDICATION OF THE REGIME'S POLICY TOWARD INTERSHOPS IS THAT A SIGNIFICANT NUMBER OF THESE SHOPS IN BERLIN HAVE REMOVED THEIR "INTERSHOP" SIGNS IN RECENT WEEKS (WELL BEFORE THE PUBLICATION OF THE COMMENTARY), ALTHOUGH THEY CONTINUE TO FUNCTION AS USUAL. THE RESULT IS THAT THE OVERT APPEARANCE OF INTERSHOPS IN EAST BERLIN HAS BEEN SOMEWHAT REDUCED.

5. COMMENT: AS WE HAVE REPORTED ON EARLIER
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OCCASIONS, THERE PROBABLY EXISTS OPPOSITION TO THE INTERSHOP SYSTEM WITHIN THE SED. THESE ELEMENTS MAY IN FACT WELCOME THE BAD PUBLICITY ASSOCIATED WITH THE ALLEGED ABUSE OF D MARKS. HOWEVER, WE BELIEVE IT UNLIKELY THAT THE PUBLICATION OF THE WARNING IS A SIGN OF THE IMMINENT DEMISE OF THE INTERSHOP SYSTEM, BUT THE ARTICLE DOES SERVE AS A REMINDER THAT THE SYSTEM AND THE LIBERAL CURRENCY REGULATIONS MAY NOT BE PERMANENT.

6. IT WILL BE RECALLED THAT HONECKER, IN HIS JULY 6 INTERVIEW WITH THE SAARBRUECKER ZEITUNG, SAID THAT INTERSHOP SYSTEM IS NOT A PERMANENT FEATURE OF SOCIALISM AND THAT THE GDR COULD RESCIND THE EASING OF ITS FOREIGN CURRENCY REGULATIONS. HE WARNED, HOWEVER, THAT THIS WOULD ENTAIL DIFFICULTIES TO TOURIST AND VISITOR TRAFFIC. IT SEEMS CLEAR THAT THE GDR IS SOMEWHAT DEFENSIVE ABOUT THE INTERSHOP SYSTEM. WE BELIEVE THAT THE REGIME IS SAYING THAT IF THE INTERSHOP SYSTEM (AND THE RELATED CURRENCY REGULATIONS WHICH PERMIT EAST GERMANS TO USE THEM) BECOME MORE TROUBLE THAN THEY ARE WORTH, THE INTERSHOP

SYSTEM OR THE CURRENCY REGULATIONS CAN BE CHANGED.

7. AS TO THE WARNING THAT RESTRICTIONS MAY BE IMPOSED ON VISITORS FROM THE WEST, WE SEE NO EVIDENCE THAT THE GDR PLANS TO CHANGE ITS "CONTROLS" ON TRAVELERS. HOWEVER, WE WOULD NOT DISCOUNT THIS POSSIBILITY ALTOGETHER. ALTHOUGH THE GDR HAS TAKEN NO DIRECT ACTION AFFECTING SECTOR CROSSINGS SINCE JANUARY 1977, WE SEE NO REASON TO BELIEVE THAT THE GDR HAS GIVEN UP ITS INTENTION OF REINFORCING ITS POSITION IN

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THE EASTERN SECTOR OF THE CITY.

8. THERE HAS BEEN SPECULATION, BOTH AMONG WEST GERMAN SOURCES AND IN THE EAST BERLIN DIPLOMATIC CORPS, THAT THE COMMENTARY WAS INTENDED AS A WARNING TO HONECKER AS A SYMPTOM OF A DISPUTE WITHIN THE POLITBURO. WE UNDERSTAND THAT SOME ANTI-HONECKER CIRCULARS PUBLISHED IN WEST GERMANY ARE CIRCULATING IN EAST BERLIN AND THIS HAS BEEN CITED AS POSSIBLE EVIDENCE THAT HONECKER MAY BE IN POLITICAL TROUBLE AT HOME. WE BELIEVE THAT THE THEORY THAT THE COMMENTARY IS A FORM OF WARNING TO HONECKER IS UNLIKELY ALTHOUGH, AS NOTED ABOVE, THERE ARE PROBABLY DIFFERENCES OF OPINION ON THE INTERSHOP/FOREIGN CURRENCY ISSUE WITHIN THE PARTY. THE PUBLICATION OF THE

COMMENTARY PAPERS IN EAST BERLIN AND THROUGHOUT THE
GDR ON THE SAME DAY REQUIRED HIGH LEVEL COORDINATION
AND COULD NOT, WE BELIEVE HAVE BEEN DONE WITHOUT
HONECKER'S KNOWLEDGE OR CONCURRENCE.
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9. ON BALANCE WE TEND TO BELIEVE THAT THE MOST
LIKELY EXPLANATION FOR THE WARNING IS THE SIMPLIST
ONE. THE PRACTICE OF WEST BERLIN VISITORS, MOST
PROBABLY TURKISH GUEST WORKERS, BRINGING WEST
MARKS INTO EAST BERLIN HAS LED TO SOME ABUSES.
CASUAL TRANSACTIONS IN D MARKS ARE FAIRLY COMMON IN
EAST BERLIN WITH TAXI DRIVERS, WAITERS AND OTHERS
INVOLVED IN SERVICES AND EVEN SALES PEOPLE RECEIVING
FOREIGN CURRENCY REGULARLY. WE BELIEVE THAT THE WARNING
WAS PROBABLY DIRECTED AT THIS PARTICULAR PROBLEM,
SPECIFICALLY A WARNING TO EAST GERMANS NOT TO ABUSE
THEIR RECENTLY-WON PRIVILEGES. THE COMMENTARY
IS ALSO A WARNING THAT THE GDR
AND ITS CONSUMERIST POLICIES ARE NOT TO BE
TAKEN FOR GRANTED AND CAN BE CHANGED IF NEED BE.
END COMMENTARY. END COMMENT. BOLEN

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